

## Message Text

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9/24/73 EXT. 21512

S/S-9 P. SARROS

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FM SECSTATE WASHDC

TO AMEMBASSY NAIROBI

C O N F I D E N T I A L STATE 189701

LIMDIS

THE FOLLOWING TEL FROM USMISSION NATO 9/21/73 TO SECSTATE  
IS REPTD.

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TOECO 31

C O N F I D E N T I A L USNATO 4448

LIMDIS

E.O. 11652: GDS, 12/31/79

TAGS: MCAP, MARR, EGEN, NATO

SUBJECT: BURDEN SHARING

REFS: A) USNATO 4382; B) STATE 179031; C) USNATO 4400

1. ACHIEVEMENT OF MULTILATERAL AGREEMENT TO RELIEVE U.S.  
FINANCIAL PROBLEMS ARISING FROM STATIONING OF FORCES IN EUROPE  
WILL REQUIRE ACT OF POLITICAL WILL ON PART OF OUR ALLIES TO ADOPT  
REMEDIAL MEASURES IN ADDITION TO GERMAN OFFSETS CURRENTLY UNDER  
NEGOTIATION. QUIBBLING OVER STATISTICS COULD BECOME LONG, DRAWN  
OUT PROCESS WHICH WOULD ONLY SERVE TO DELAY SUCH DECISION.

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CONCERN EXPRESSED BY OUR ALLIES HERE AND IN NATO CAPITALS THAT

BURDEN SHARING EXERCISE NOT GOING WELL BEARS THIS OUT. IN MISSION VIEW, ONLY MEANS TO PUSH DECISION REGARDING REMEDIAL ACTION ON PART OUR ALLIES IS TO COME TO RAPID AGREEMENT IN BURDEN SHARING STUDY GROUP ON GENERAL ORDER OF MAGNITUDE OF U.S. MILITARY BOP DEFICIT.

2. BURDEN SHARING STUDY GROUP CHAIRMAN HAS DISTRIBUTED NEW WORKING PAPER DATED SEPTEMBER 19 (AC/291-WP(73)(REVISED) TO BE USED AS BASIS OF DISCUSSION FOR MEETING SCHEDULED SEPTEMBER 28. INCLUDED IS SECTION ON PREVIOUS US-FRG OFFSET AGREEMENT SUBSTANTIALLY THE SAME AS GERMAN PAPER PROVIDED DEPARTMENT BY REF A. U.S. DEL WILL BE EXPECTED COMMENT ON SECTION DEALING WITH OFFSET ARRANGEMENT AS WELL AS PROVIDE REVISED FIGURES FOR CASH RECEIPTS ON MILITARY BOP TAKING INTO ACCOUNT INFORMATION MADE AVAILABLE (AND FORWARDED DOD) BY U.K., NETHERLANDS, ITALY, AND BELGIUM REGARDING MILITARY PURCHASES FROM PRIVATE U.S. SOURCES NOT INCLUDED IN ORIGINAL DOD DATA.

3. AS DEPT. IS AWARE (USNATO 4280), AND AS IS NOW REFLECTED IN NEW DRAFT WORKING PAPER, FRG CLAIMS THAT PAST OFFSET AGREEMENTS HAVE PROVIDED EFFECTIVE 100 PER CENT COVERAGE OF U.S. MILITARY BOP DEFICIT THROUGH COMBINATION OF MILITARY PROCUREMENT IN THE U.S., BUNDESBANK CREDITS, CASH PAYMENTS TO DEFRAY LOAN INTEREST, AND BARRACK REHABILITATION. THIS IS NOT REFLECTED IN DATA WE HAVE PRESENTED THUS FAR CLAIMING A MILITARY BOP DEFICIT WITH NATO FOR CY 1972 OF \$1.6 BILLION (\$1 BILLION OF WHICH WAS WITH GERMANY) WHICH HAVE EXCLUDED ONLY FINANCIAL (LOAN) ARRANGEMENTS WITH THE FRG.

4. FIGURES PROVIDED MISSION (REF B) REGARDING US-FRG AGREEMENT BEAR OUT GERMAN CLAIM OF OFFSET TOTALING OVER \$2 BILLION FOR FY 72-73 OF WHICH \$1.2 BILLION WAS FOR MILITARY PROCUREMENT IN THE U.S. AND ONLY \$621 MILLION IN FORM FINANCIAL ARRANGEMENTS. IN ATTEMPTING RECONCILE THIS DATA WITH FIGURES PRESENTED IN OUR MILITARY BOP ACCOUNT, MISSION HAS RESORTED TO OASD PAPER ENTITLED "COMPOSITION OF GERMANY RECEIPTS FIGURE ON U.S. MILITARY ACCOUNT" WHICH ARRIVES AT NET CASH RECEIPTS FROM FRG BY DEDUCTING TRANSFERS FROM TREASURY TO DOD SALES ACCOUNT FOR PAYMENT MILITARY SALES. MISSION UNDERSTANDS RATIONALE IS THAT THESE AMOUNTS ARE MERELY INTER-USG TRANSFERS OF FUNDS WHICH ENTERED BOP ACCOUNTS IN CONFIDENTIAL

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PREVIOUS YEARS WHEN DEPOSITED TO TREASURY ACCOUNT AND IN SUBSEQUENT YEARS ARE TRANSFERRED TO MILITARY SALES (TRUST ACCT. NO. 8242). SINCE A BALANCE OF PAYMENTS IMPACT OCCURS ONLY AS PAYMENTS ARE RECEIVED, NOT WHEN AGREEMENTS ARE SIGNED, ORDERS PLACED, OR DELIVERIES MADE, IT IS CLEAR THAT SUCH INTER-USG TRANSFERS DO NOT FIGURE IN THE MILITARY BOP. HOWEVER DIRECT RELATIONSHIP

BETWEEN MILITARY SALES FIGURE AND TRANSFER FROM TREASURY TO DOD

IS NOT CLEAR. IT APPEARS THAT SELECTING CY 72 FOR OUR PRESENTATION UNDERESTIMATES ACTUAL GERMAN CONTRIBUTION TO MILITARY BOP INASMUCH AS LARGE AMOUNTS DEPOSITED IN TREASURY ACCOUNT AS PREPAYMENT OFFSET FOR CY 71 & 72 NOT REFLECTED.

5. ACTION REQUESTED: IN PREPARATION FOR SEPT. 28 BURDEN SHARING STUDY GROUP MEETING, MISSION REQUESTS:

A. REVISED CASH RECEIPTS FIGURES FOR COUNTRIES WHICH HAVE MADE AVAILABLE DATA ON PURCHASES MADE WITH PRIVATE U.S. SUPPLIERS.

B. EXPOSITION OF GERMAN CASH RECEIPTS FIGURE FOR EARLIER YEARS, PREFERABLY ONE THAT WILL MAKE POSSIBLE SOME COMPARISON WITH GERMAN OFFSET DATA, WHICH MISSION COULD USE IN STUDY GROUP MEETING SHOULD MATTER BE RAISED.  
RUMSFIELD.

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